

Appendix A:

Property Ledger

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Subsidiary Accounts to Account 1400.4:
Land, Structures, and Equipment

The Property Ledger contains the fixed asset accounts established and maintained as a subsidiary to the General Ledger Account 1400.4, Land, Structures, and Equipment. The accounts reflect the cost of property acquired and held for the projects under an Annual Contributions Contract (ACC) with HUD. The HUD accounting system does not provide for the depreciation of fixed assets for projects under an ACC.

Table 1 (p. A-3) is a chart identifying the Property Ledger subsidiary accounts (1405 to 1475) and the corresponding development/modernization cost subsidiary account. The Property Ledger account descriptions are the same as the descriptions for the subsidiary accounts to Account 1400.2. (Note: establishment of the Property Ledger Account 1400.4 has no effect on General Ledger Account 1400.2).

The capitalized amount of development/modernization cost includes not only the direct cost of the fixed asset itself, but also any ancillary costs (e.g., administrative costs, site improvements, legal fees, interest costs, etc.) associated with the development or modernization program as approved by HUD.

Development

The Property Ledger is established as a subsidiary ledger to Account 1400.4, Land, Structures, and Equipment in the amount of the development cost charged to Account 1400.2. The initial entry to Account 1400.4 to capitalize the development cost of a project (debit Account 1400.4, credit Account 1400.3) may be made at the end of the initial operating period (EIOP). Account 1400.4 and the Property Ledger are then updated monthly for any additional development costs recorded in Account 1400.2 between EIOP and the issuance of the Actual Development Cost Certificate (ADCC).

Modernization

All modernization costs incurred by the HA in connection with modernization for a Comprehensive Improvement Assistance Program (CIAP), or a Comprehensive Grant Program (CGP) are capitalized in Account 1400.4 (debit Account 1400.4, credit Account 1400.3), and added to the Property Ledger. The capitalized amount is equal to the amount charged in the modernization cost ledger (subsidiary ledger for Account 1400.2) and approved by HUD on the actual modernization cost certificate.

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Operations

Fixed asset transactions that are paid from operating funds are recorded in Account 1400.4 and the appropriate Property Ledger subsidiary accounts. The transactions require entries to:

- o Capitalize the cost in General Ledger Account 1400.4 and the applicable subsidiary account in the Property Ledger.
- o Record the cost in the 7500 series of memorandum accounts to accumulate the fixed asset operating expenditures for the fiscal year.

The capitalization criteria of the HA determines if property additions or acquisitions represent a capital expenditure. The description of Account 7540 provides a definition of property betterments and additions. The most frequent capital expenditures from operating funds are for nonexpendable equipment purchases (Accounts 1465 and 1475).

Capitalized property sold or otherwise disposed of after the date of full availability (DOFA) is credited to Account 1400.4 in the amount of the original cost (or an estimate or allocation of the cost). The gain or loss arising from the disposition of capitalized property is recorded in Account 6110 or Account 6120, as appropriate.

See pages A-4 through A-7 for sample accounting entries for fixed asset transactions during the operations period.

For additional procedural information which may be adapted for use by HAs, see "A Guide to Financial Management for RMCs, Part Two: Chapter 4, Accounting for Maintenance Materials and Supplies and Expendable Equipment; Chapter 5, Accounting for Fixed Assets," November, 1991 (HUD User-1322-PDR).

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Table 1
Property Ledger: Account 1400.4
Land, Structures, and Equipment

Subsidiary 1400.2 Source Accounts Initial to 1400.4 Amount	Property Ledger Account Title	Subsidiary Accounts for Entry
1405 1410.19;	Indirect Development Costs	1408; 1410;.1-

1420.7		1415; 1420.1-
1430.19		1425; 1430.1-
		1495
1440	Site Acquisition	1440.1-1440.20
1440.3	Account 1440.3 shall be used to credit the actual or allocated cost of land sold after DOFA	
1450	Site Improvement	1450-1450.3
1460	Dwelling Structures	1460-1460.3
1465*	Dwelling Equipment	1465.1-1465.3
1465.1	Non-expendable dwelling equipment consists primarily of ranges and refrigerators in units.	
1470	Non-Dwelling Structures	1470-1470.3
1475:*	Non-Dwelling Equipment:	1475.1-1475.10
1475.1	Office Equipment	
1475.2	Maintenance Equipment	
1475.3	Community Space Equipment	
1475.4	Computer Equipment	
1475.7	Automotive Equipment	
1480/1482	Distribute to applicable account	

* Equipment records must be maintained for nonexpendable equipment meeting the HA criteria for capitalization. The equipment records must include the asset cost (or estimated value) and sufficient description for identification of the equipment for purposes of the annual physical inventory.

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Accounting Procedures for Fixed Asset Transactions

A. From Operating Receipts and Expenditures

Fixed asset transactions that occur during the operations period, and that involve operating funds, are recorded both in Account 1400.4, Land, Structures, and Equipment (and the appropriate subsidiary account) and in the 7500 series of memorandum accounts.

- o Entries to Account 1400.4 for acquisition or disposition of property are based on the cost of the property.
- o The gain or loss on disposition of a fixed asset is the difference between the cost of the property and any cash received (or trade-in allowance given). The gain or loss on disposition is recorded in either Account

6110 (for real property) or Account 6120 (for nonexpendable equipment).

- o Entries to the 7500 series of memorandum accounts are based on the cash expenditure (or receipts) for the transaction.

The following examples are typical transactions for property acquisition and disposition from operating funds.

A-1. Acquisition of New Asset

eg: Non-expendable Equipment: cost, \$9,000

Debit: Account 1400.4/1475.s - Land, Structures, and Equipment and Subsidiary (a) \$9,000

Credit: Account 1111.1, Cash- General Fund(b) \$9,000

- and -

Debit: Account 7540 - Property Betterments and Additions(b) \$9,000

Credit: Account 7590 - Operating Expenditures for Property, Contra \$9,000

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Entry to Record

- (a) Cost of new equipment (\$9,000)
- (b) Cash payment for new equipment (\$9,000)

A-2. Disposition Without Replacement

eg: Non-expendable Equipment: cost, \$5,000; sales proceeds, \$300

Debit: Account 1111.1, Cash - General Fund (a) \$ 300

Debit: Account 6120 - Gain/Loss from Disposition (b) 4,700

Credit: Account 1400.4/1475.s - Land, Structures, and Equipment and Subsidiary (c) \$5,000

- and -

Debit: Account 7590 - Operating Expenditures for Property, Contra \$ 300

Credit: Account 7530 - Operating \$ 300
Receipts for Property (a)

Entry to Record

- (a) Sale proceeds from disposition (\$300)
- (b) Difference between the cost of the old equipment and the sales proceeds from disposition (\$5,000 minus \$300)
- (c) Original cost of old equipment (\$5,000)

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A-3. Disposition With Replacement

eg: Non-expendable Equipment: new equipment, cost, \$9,000;
old equipment cost, \$5,000; trade-in allowance on old
equipment, \$300

Debit: Account 1400.4/1475.s - Land, \$9,000
Structures, and Equipment and
Subsidiary (a)

Debit: Account 6120 - Gain/Loss from \$4,700
Disposition (b)

Credit: Account 1400.4/1475.s - Land, \$5,000
Structures, and Equipment and
Subsidiary (c)

Credit: Account 1111.1, Cash - General \$8,700
Fund(d)

- and -

Debit: Account 7520 - Replacement of \$8,700
Nonexpendable Equipment (d)

Credit: Account 7590 - Operating \$8,700
Expenditures for Property, Contra

Entry to Record

- (a) Acquisition cost of new equipment (\$9,000)
- (b) Difference between the cost of the old equipment and the trade-in allowance (\$5,000 minus \$300)
- (c) Cost of the old equipment traded in on new equipment (\$5,000)
- (d) Actual cash payment for new equipment: cost less trade-in allowance (\$9,000 minus \$300)

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A-4. Casualty Loss Affecting Book Value of Project

eg: A dwelling structure is destroyed by fire. Estimated

